

MINUTES

NATURAL RESOURCES COMMISSION

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ALPENA

MARCH 9, 2006

PRESENT FOR THE COMMISSION

Keith Charters, Chair
Mary Brown
Bob Garner, Vice Chair
Frank Wheatlake

PRESENT FOR STAFF

Becky Humphries, Director
Dennis Fedewa, Chief Deputy
Mindy Koch, Resource Management Deputy
Other DNR Staff

JOINT MEETING OF THE NATURAL RESOURCES COMMISSION (NRC) AND THE COMMISSION OF AGRICULTURE

Chairman Charters called the Joint Meeting of the NRC and Commission of Agriculture to order at 2:53 p.m. **Ann Jousma-Miller** was present representing the Commission of Agriculture as well as **Keith Creagh** representing the Department of Agriculture (MDA). All other Commissioners of Agriculture and NRC Commissioners Hall and Earley were grounded in Lansing due to bad weather and fog.

Chairman Charters recognized former **State Representative Bev Bodem** who was present representing **Senator Tony Stamas**.

2005 Bovine Tuberculosis (TB) Surveillance

Dr. Steve Schmitt, DNR Veterinarian, presented and update on TB surveillance. His comments follow:

Since 1994, the state of Michigan has recognized a problem with *Mycobacterium bovis* in wild white-tailed deer from a thirteen county area in northeastern Lower Michigan. In 2005, surveillance activities for M. bovis continued statewide, with

an emphasis on the northern half of Lower Peninsula. In white-tailed deer, 16 animals cultured positive from 7,361 deer submitted for testing.

Since the index cases were first identified, 145,752 free-ranging deer have been tested for bovine tuberculosis; 525 infected animals have been found. Increasingly, the spatial epidemiology of the disease is revealing a highly focal, clustered pattern. Approximately 98% percent of all positive deer identified to date originated from a five county area. Moreover, within that area, the vast majority of positive deer were from Deer Management Unit (DMU) 452. Even within DMU 452, the spatial arrangement of cases is highly clustered, in spite of the fact that sampling effort has been relatively uniform geographically.

Strategies for eradication of TB from Michigan wildlife continue to focus on 1) reducing deer population densities to biological carrying capacity and 2) reducing artificial congregation of deer by restriction or elimination of baiting and feeding. These strategies have been implemented through provision of extra rifle seasons and unlimited antlerless deer permits and by prohibition or restriction of deer baiting and feeding. In the five county area most affected by TB, deer numbers have declined approximately 51% since 1995. The achievement of this substantial population reduction highlights the critical role that hunters have played in the control of TB in Michigan. Nonetheless, persistent focal areas of high density on private land remain problematic. Since 2002, baiting and feeding have been prohibited in the seven counties from which 99% of all TB positive deer have originated. Policy makers have committed to keeping these regulations consistent for a five-year period in order to improve compliance and enforcement. The overall scope of baiting and feeding has declined dramatically since 1997, with large scale feeding largely a thing of the past. While some illegal baiting and feeding continues to occur, the size of these sites is substantially reduced, and heightened enforcement is expected to reduce the practice further over the next several years.

While much work remains, substantial progress has been made towards eradication of TB from Michigan wildlife. Apparent prevalence in the core area of the outbreak DMU 452 was 1.2% in 2005, a decrease of 76% since 1995. Trend analysis of prevalence data from 1995 to 2005 indicate a statistically significant decreasing trend. And two methods of estimating TB transmission rate in the deer herd in DMU 452 are showing statistically significant decreasing trends.

Michigan's TB intervention strategies are working; however, it is too early to claim victory in eradicating the disease. The need to stay the course is important, but will be difficult, due to ever increasing pressure from a variety of sources to lessen these intervention strategies.

The intervention strategies have been successful in bringing down the average prevalence in DMU 452; however, there are clusters of disease in some townships that will be more difficult to manage. With that in mind, the State of

Michigan is evaluating a new intervention strategy that may be more acceptable to many hunters and landowners. The new strategy is based on live-trapping and TB-testing of wild deer, and removal of positive animals. And if a safe and effective TB vaccine could be developed, then captured deer that tested negative for TB could be vaccinated before release. This strategy is not intended to replace initial strategies, but may assist them in eliminating TB from the deer herd.

The Michigan Department of Natural Resources (MDNR) pilot-trialed the new strategy in a township with relatively high TB prevalence within DMU 452 during the winter of 2003. The results of the pilot are cause for optimism on a number of fronts. The project was well received and supported by the public. Appreciable numbers of deer were captured with reasonable efficiency and low mortality. Tracking and removal techniques worked well. The one facet of the project that failed was the blood test.

An effort to develop a more accurate blood testing procedure was the focus of the pilot during the 2004 and 2005 hunting seasons. Hunters were asked to collect blood from deer harvested in DMU 452, and to submit the blood and deer head to a deer check station. The lymph nodes from the deer heads were cultured for TB and culture results compared with results from four TB blood tests. One blood test (Rapid Test) that can be done in 10-15 minutes in the field with whole blood looks promising.

The MDNR is working with United States Department of Agriculture researchers in Ames, Iowa to develop a TB vaccine. Preliminary results are encouraging, and the vaccine appears to give some protection from disease. Vaccinated groups of deer given the vaccine orally or subcutaneously had fewer visible TB lesions and less severe TB lesions than unvaccinated deer. Assuming it is possible, it will take a minimum of 5-10 years to develop a safe and effective vaccine and to obtain approval for its use in a field situation.

In summary, Michigan is having more success eradicating bovine TB from a wildlife reservoir than any other place in the world. However, this success is fragile. We need to be diligent in maintaining our control strategies.

Chairman Charters asked if there are still TB hot areas. **Dr. Schmitt** replied yes. **Law Enforcement Division Chief Alan Marble** said compliance to the baiting and feeding regulations in DMU 452 is still a challenge.

Bovine TB Eradication Update

Dr. Mike VanderKlok, MDA, Bovine TB Eradication Coordinator, reported that since January 2000, 1.2 million cattle have been tested in Michigan. No TB positive herds have been detected outside the modified accredited area

(northeast Lower Peninsula). Privately owned cervid facilities have also been tested with no positive tests outside the modified accredited area.

On September 30, 2005, the Upper Peninsula (UP) of Michigan was deemed TB-free. Michigan is now the only state to have three separate statuses relative to disease zones. With the UP being TB-free, more marketing opportunities are available with other states.

Dr. VanderKlok said once a herd is identified as TB positive, the infection source is identified; recommendations are made for response; the herd is removed and depopulated; and repopulation is considered along with determining what needs to be done to prevent reinfection.

There are approximately 1 million cattle in Michigan. **Dr. VanderKlok** indicated that there have not been any signs of reinfection in the repopulated herds.

Chronic Wasting Disease (CWD)

Dr. Schmitt stated that since 1998, the Michigan Department of Natural Resources (DNR) has tested 18,972 white-tailed deer, 443 elk and 27 moose for CWD and all have been found to be negative. The Michigan Department of Agriculture has tested all 4,400 captive cervids for CWD and they too have been negative. Does this mean that we do not have CWD in Michigan? No, but we can say that we don't have a large outbreak of the disease, like Colorado, Wyoming or Wisconsin. Michigan could still have a small pocket of CWD in free-ranging deer or in a captive cervid facility.

Future CWD surveillance of free-ranging white-tailed deer will be shifting from hunter-harvested deer to more effective types of testing. Recent research shows that cervids killed by motor vehicles are more likely to be CWD-infected, than those killed by hunters. CWD-infected deer are more vulnerable to vehicle collisions, because of neurological effects that render them less able to recognize, to avoid, or to respond to vehicles. Research, also, indicates that adult male deer and elk have a higher CWD prevalence rate than females of similar age. Moreover, because prime-aged male deer and elk are more likely than other sex-age classes to be processed as trophy mounts; the data suggests that taxidermy facilities could represent points of concentration for CWD-infected animals. It follows that taxidermy facilities may be useful contact points for collecting samples for CWD surveillance. The DNR's CWD surveillance program would be improved by emphasizing approaches that include sampling at taxidermy shops and vehicle-killed deer sampled opportunistically.

The Joint meeting of the NRC and Commission of Agriculture was adjourned at 4:00 p.m.

**NATURAL RESOURCES COMMISSION
Committee of the Whole**

Chairman Charters called the Committee of the Whole meeting of the NRC to order at 4:00 p.m. on Thursday, March 9, 2006. **Director Humphries** noted that a hard copy of the legislative activity update and the legal activity update had been distributed for review. The Goals discussion was postponed to later in the meeting. The Committee of the Whole meeting adjourned at 4:05 p.m.

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The Regular Meeting of the NRC convened at 4:15 p.m.

PUBLIC APPEARANCES

Gil Archambo, Sturgeon for Tomorrow
Terry Bellville, Whittemer
Nathan Cordes, Don Cordes Farm
Michael Cormeir, Carp Lake
William Estlack, Ossineke
Marlin Goebel, Hillman
Brad Jensen, Huron Pine Resource Conservation and Development Area
Council, Inc.
Jerry Keck, Michigan Bow Hunters Association
Amy Lewis, Dairy Farmer, Alpena County
George Lindquist, UP Whitetails of Marquette County
John Noffze, Hillman
John Ormsby, Afton Deer Management
Lorie Pahlkotter, Bucks Bait and Tackle, Alpena
Galen Schalk, Hillman
Mark Schuler, Presque Isle County Tourism
Kendall Sumervy, Lachine
Jeff Thornton, Alpena County Coordinator
Cliff Tulgestke, Hawks
Jason Woiderski, Surgeon for Tomorrow

Brad Jensen, Huron Pine Resource Conservation and Development Area Council, Inc. said that their experiences in working with the DNR have been positive and effective. Over the past four years, one of the Council's primary projects, in conjunction with the DNR, has been improvement in the in-stream habitat of the Au Sable River. Large woody debris has been placed in the river to replace habitat lost during the logging era. In the fall of 2005, the project was suspended for two years putting Huron Pines in a difficult position because of the

agreements that had been made with riparian landowners. He expressed concern that the DNR may be shifting away from habitat efforts due to funding shifts.

John Ormsby, Afton Deer Management, provided aerial pictures of deer habitat plantings in Cheboygan County. He was pleased that no TB had been found in the county. He noted that 25 percent less deer licenses were sold from 2001 to 2004 and believes this is due to the deer population reduction.

William Estlack, Ossineke, thanked the NRC for coming to Alpena. He stated that Northeast Michigan Deer Management has nearly 30,000 acres where quality deer management has been practiced and it has produced quality bucks.

Following are his comments:

Deer Range Improvement Program (DRIP): Due to deteriorating habitat in the area, he suggested that the DNR partner with other organizations in providing money and seed to plant deer habitat. **Commissioner Wheatlake** said that DRIP funds were denied in the DNR budget, but a request for a supplemental has been submitted by the DNR.

Combo License: Change the combo license to a one buck/one doe license; keep the price the same; and allow substituting the buck tag for a second doe. **Commissioner Garner** noted that, in the past, a one-buck license was initiated and it was not popular.

Antler Restrictions: Eliminate the 3 inch antler restriction and treat any buck as a buck.

Recruitment of New Hunters: He believes that making the current hunters happy and they will recruit.

Hunter Safety Courses: Allow hunters to take courses on-line.

DMU Management Guidelines: Move away from county boundaries for DMUs; and set up local DMU advisory boards for each DMU.

Cormorant Study: The Alpena/Thunder Bay area brown trout fishery is being devastated by cormorants. There is a need for a study to address this issue.

Gobies: He suggested that increased walleye plants in Thunder Bay would reduce gobie populations.

Galen Schalk, Hillman, thanked the NRC and DNR for making the difficult decisions concerning controlling TB in the deer herd in the northeast Lower Peninsula, but is concerned if the efforts are diminished, the disease could

return. He expressed concern that leaving round hay bales in the fields promotes disease. He also expressed concern with the lack of compliance to the feeding and baiting restrictions and ban.

Governor Jennifer Granholm, Senator Tony Stamas, and Representative Matt Gillard signed a resolution honoring Warren MacNeill who was recently selected as Conservation Officer of the Year by his peers. **Alan Marble, Chief, Law Enforcement Division**, read the resolution on their behalf.

Public Appearances (continued):

Jeff Thornton, Alpena County Coordinator, thanked the NRC and DNR for coming to the Alpena area. Following are the issues he addressed: deer populations may be higher than the estimates; the local fishery is suffering due to cormorants; Alpena County relies on payment-in-lieu-of-taxes (PILT) and is concerned that the lack of PILT payments will cause financial problems; and he hopes that the legislature will approve the DRIP supplemental. **Director Humphries** stated that cormorants are a migratory bird and therefore regulated by the Federal government, and the DNR is participating in a pilot fisheries impact research project on the effects of cormorants. **Commissioner Wheatlake** noted that, unless the Legislature appropriates monies for PILT payments, the DNR cannot pay them.

George Lindquist, UP Whitetails of Marquette County, said that all chapters of UP Whitetails met and voted to endorse Bill Malloch to represent UP Whitetails Association, Inc., on the Hunting and Fishing License Package Development Work Group. Following are items he addressed:

- Proposed one buck license per hunter per year;
- Suggested one tag per year with a separate fee for each season (bow, rifle, muzzleloader);
- Proposed shortening the deer season with an ending date of December 10;
- Proposed issuing more bear tags.

Chairman Charters recommended UP Whitetails Association, Inc. submit its comments in writing.

Michael Cormeir, Carp Lake, expressed concern relative to clear cutting on State land near St. Helen stating that it will impact the scenic route to Mackinaw City. **Director Humphries** recommended that he speak with Bill Green from the Roscommon Forest, Mineral and Fire Management Division Office.

Terry Bellville, Whittemore, is a farm owner/operator in Iosco County, Green Oak Township. He uses all allowable methods of deer control on his farm, but

recommended that more kill tags should be issued in his area due to a large deer population.

Lorie Pahlkotter, Bucks Bait and Tackle, Alpena, said that cormorants have decimated fish and wildlife populations in that area. She has participated in organizing cormorant control along with the U.S. Department of Agriculture, Wildlife Services and the process has been successful.

Cliff Tulgestke, Hawks, questioned why the feeding and baiting bans are not being enforced, because he has seen an increase in both. **Commissioner Garner** recommended that he contact the DNR Conservation Officers when he sees the baiting and feeding occurring.

Gil Archambo, Sturgeon for Tomorrow (SFT), stated that Sturgeon For Tomorrow, in partnership with Michigan State University and the DNR, successfully developed the Upper Black River Hatchery Program and raised and released sturgeon fingerlings. Devices have been planted on sturgeon to be able to track their whereabouts. SFT is working on a sturgeon display and is working with schools developing scholarships.

Commissioner Garner noted that Gil and Brenda Archambo are two individuals that are very dedicated to the resource and commended them for their efforts.

Jason Woiderski, Sturgeon for Tomorrow, reported that four sturgeon were taken from Black Lake during the spearing season and that 695 people applied for a spearing permit. He recommended an application fee be charged for the permits. During sturgeon spawning season, over 1000 individuals volunteer to ensure that the sturgeon are protected in the river. Sturgeon are very docile during spawning and would be an easy catch. He suggested that bank stabilization is necessary to obtain and protect sturgeon spawning habitat.

Mark Schuler, Presque Isle County Tourism, thanked the NRC and DNR for coming to the area and appreciates the partnership with the DNR. He noted that the former Michigan Civilian Conservation Corps (MCCC) camp at Ocqueoc Lake is leased to Presque Isle County and is up and running. **Commissioner Garner** thanked Mr. Schuler for his work in developing deer habitat.

John Noffze, Hillman, expressed concern with TB in the area and stated that there are no beef herds along I-74. He requested that the DNR harvest 50 deer around farms where TB has been found. He said that everyone needs to work together to resolve the TB problem.

Jerry Keck, Michigan Bow Hunters Association, supports a combination deer license and believes that the bow hunters do pay their fair share.

Marlin Goebel, Hillman, presented a resolution titled, "Elk Invasion Resolution" signed by a number of farmers and landowners in the north Hillman area. The resolution requests that a survey be conducted this spring of the number of deer and elk in the area where they invade the farmland by the hundreds searching for feed. He also requested that some form of reimbursement be given to the farms that have proven losses of their livelihood due to the presence of elk.

Nathan Cordes, Don Cordes Farm, asked that fences be erected to protect farmland, or that hunting strategies change to move elk out of the area earlier than in August. He expressed concern with allowing hunters on his property to address nuisance elk, primarily because he believes there is an issue of liability. The NRC and Director Humphries indicated that liability is not an issue when allowing someone to hunt on private property.

Chairman Charters recognized **Representative Matt Gillard**. **Representative Gillard** welcomed the NRC and DNR to his district. **Chairman Charters** noted that **Representative Gillard** is on constant communication with the NRC and DNR staff even on the tough issues.

Kendall Sumervy, Lachine, has a TB infected cattle herd and it was determined that the TB came from contact with wildlife. His cattle herd had to be destroyed. He did everything he could to prevent the contact with wildlife, but his cattle were still infected. He requested that the feeding ban be strongly enforced.

Amy Lewis, Dairy Farmer in Alpena County, said the deer herd needs to be strictly controlled to prevent TB. She requested that the deer quotas not be relaxed and the DNR not become complacent regarding baiting restrictions. She recommended doing a spring deer census in the TB area.

Chairman Charters entered the following letters into the record:

From Jim DeClerck, Saginaw Field and Stream Club recommendations:

1. No antlerless deer licenses will be issued in Zones 1 and 2 until the herd has reached the carrying capacity of the habitat. Antlerless licenses issued in Zone 3 should be limited to those areas where the carrying capacity of the habitat has been reached or exceeded. Exceptions are to be brought to the NRC for review and approval.
2. The current "deer license" in single or in combo is to be for antlered, as described in the regulations, deer only. Antlerless licenses are to be issued for those areas that require herd reduction. This applies to all methods of harvesting.
3. The DNR will cease and desist publishing deer population counts. The hunter success counts should continue as in the past.

Petition from Keweenaw County Bear Hunters

This petition was signed by 61 individuals requesting that Keweenaw County become its own Bear Management Unit.

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Chairman Charters adjourned the Public Appearances portion of the NRC meeting and immediately convened the Regular Meeting of the NRC.

APPROVAL OF MINUTES – MARCH 9, 2006 NATURAL RESOURCES COMMISSION MEETING

Commissioner Garner made a motion, supported by **Commissioner Wheatlake**, for approval. Motion unanimously carried.

DIRECTOR ACTION ITEMS

Director Humphries intends to approve all Director's Action Items on the Agenda.

COMMITTEE REPORTS

NRC Policy Committee on Wildlife and Fisheries: See attached minutes.

Hunting and Fishing License Package Development Work Group

Commissioner Wheatlake (Work Group Chair) reported that the Work Group is in the "information gathering" process.

NRC Policy Committee on Finance and Administration

Commissioner Wheatlake (Committee Chair) reported that the NRC Policy Committee on Finance and Administration met on Monday, February 27, 2006. See attached minutes.

COMMISSIONERS' REPORTS

Commissioner Wheatlake chaired the February 13 and February 27 Hunting and Fishing License Development Work Group meetings and the February 27 NRC Policy Committee on Finance and Administration meeting in Lansing. He also addressed an outdoors club at Ferris State University in addition to receiving several phone calls, e-mails and letters regarding DNR issues.

Commissioner Garner co-hosted a Big-buck special at Outdoorama in Novi; attended the Detroit Boat Show; participated in a Michigan Natural Resources Trust Fund Board meeting; and spent a great deal of time on the phone discussing wildlife issues with the public.

Commissioner Brown thanked Director Humphries for coming to Kalamazoo and meeting with and speaking to various groups.

Chairman Charters attended the Senate confirmation hearing relative to his reappointment to the NRC.

NRC GOALS

The NRC Goals discussion was tabled until the April 6, 2006 NRC meeting.

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The meeting adjourned at 6:25 p.m.

NRC POLICY COMMITTEE ON FINANCE AND ADMINISTRATION

MINUTES

FEBRUARY 27, 2006

**Michigan Chamber of Commerce
600 S. Walnut
Lansing**

PRESENT FOR THE COMMITTEE

Frank Wheatlake, Committee Chair

PRESENT FOR STAFF

Thomas Benson, Internal Audit
George Cameron, Parks and Recreation Division
Jim Dubbs, Law Enforcement Division
Jim Ekdahl, UP Field Deputy
Dennis Fedewa, Chief Deputy
Joe Frick, Financial Services
Laura Harrison, Forest, Mineral and Fire Management Division
Amy Henderson, Financial Services
Tony Herek, Parks and Recreation Division
Sharon Schafer, Budget and Support Services
Jane Schultz, Budget and Support Services
Mary Uptigrove, Forest, Mineral and Fire Management Division
Jim Wood, Grants Management

OTHERS PRESENT

Kirk Lindquist, House Fiscal Agency
Jessica Runnels, Senate Fiscal Agency
Jenny Harrison, State Budget Office
Kieran Marion, Senator Shirley Johnson's Office
Rich Bowman, Michigan Council of Trout Unlimited
Jim De Clerck, Saginaw Field and Stream Club
Mark Haas, Department of Treasury

The meeting convened at 9:35 a.m.

Sharon Schafer reviewed Fiscal Year 2004-2005 Restricted Revenue Balances individually. Discussion ensued relative to the various funds. The table follows:

**DEPARTMENT OF NATURAL RESOURCES
FISCAL YEAR 2004-2005 RESTRICTED REVENUE BALANCES**

	Beginning Available Balance	Revenue	Expenditures	
<u>Forestry Funds</u>				
Forest Development	8,280,500	33,380,000	(29,982,900)	1
Forest Recreation	394,800	1,071,600	(1,254,000)	
Forest Land User Fund	422,400	340,500	(278,500)	
Commercial Forest	124,200	33,100	(21,600)	
<u>Game and Fish Funds</u>				
Game and Fish Protection Trust Fund (1)	6,000,000	15,203,300	(15,203,300)	
Game and Fish-General Purpose	9,918,000	58,095,800	(60,190,100)	
Deer Range Improvement Program	5,120,200	2,504,100	(2,160,900)	
Turkey	2,033,900	1,500,500	(1,360,500)	
Waterfowl License and Fees	1,481,700	303,400	(94,000)	
Fisheries Settlements	1,049,500	698,500	(836,400)	
Wildlife Resource Protection	635,300	1,199,700	(1,374,200)	
Youth Hunting and Fishing Ed. and Outreach	261,300	32,000	(5,700)	
<u>Parks Funds</u>				
State Parks Endowment Fund (1)	10,873,600	16,883,000	(16,904,700)	1
State Park Improvement Fund	3,703,500	36,695,500	(36,766,800)	
Michigan Civilian Conservation Corps Endow.	372,400	1,011,500	(1,034,400)	
<u>Snowmobile and ORV Funds</u>				
Off-Road Vehicle Trail Improvement Fund	4,027,400	3,353,900	(2,625,400)	
Snowmobile Trail Improvement Fund	1,616,800	8,884,100	(8,977,300)	
Snowmobile Registration Fees (2)	1,600,000	1,442,000	(1,442,000)	
Safety Education Fund	343,200	175,300	(203,100)	
<u>Waterways Funds</u>				
Waterways	5,667,900	21,120,800	(16,569,000)	1
Harbor Development Fund (3)	2,171,800	3,634,900	(1,165,400)	
Marine Safety Fund	521,100	5,560,600	(5,105,800)	
<u>Miscellaneous Funds</u>				
Michigan Natural Resources Trust Fund (1)	31,772,700	83,473,300	(81,124,400)	3
Land Exchange Facilitation Fund	44,800	3,224,000	(1,846,400)	
Nongame Fish and Wildlife Trust Fund	366,500	507,000	(550,400)	
Recreation Improvement Fund	1,058,100	1,105,800	(1,350,800)	
MacMullan Conference Center	220,400	1,151,500	(1,192,200)	
Air Photo/Geographic Info. Syst. Fees	28,500	14,100	(25,200)	

(1) The expenditures include the portion to be transferred to permanent investment.

(2) The expenditures include a transfer to the Snowmobile Trail Improvement Fund.

(3) The expenditures include a transfer of \$1,000,000 to Waterways.

INVESTMENT UPDATE

Joe Frick, Financial Services, reviewed DNR investments for FY 2004-2005. He stated that the total investments for this time period were approximately \$480 million. He proceeded to break down the investments by fund and presented the asset allocation recommendations. Fiscal Year 2005 revealed a \$45 million increase in investments.

Mark Haas, Department of Treasury, reviewed the natural resources related funds investments, investment summary for calendar year 2005. Natural Resources related funds, including operating funds held in the State's common cash fund, increased approximately \$28 million in value to over \$685 million; \$478.5 million is invested in equities and long-term fixed income assets. Currently, these investments are near the asset allocation targets set in 2004. He summarized the status of fixed income investments, cash equivalent investments, and equity investments. Mr. Haas assured the Committee that Treasury does not invest in junk bonds.

SECTION 29 TAX CREDITS

Mary Uptigrove, Forest, Mineral and Fire Management Division, stated that Section 29 Contract involves Federal tax credits for the production of non-conventional fuels. In Michigan, the credit involves gas wells that were drilled in the Antrim formation between December 31, 1979 and January 1, 1993.

To qualify for the credits, the Internal Revenue Service (IRS) requirement was met by transferring the royalty interest in the minerals to the buyer. The Department of Management and Budget (DMB) and the DNR execute the contract on behalf of the state. Motor City Four, LLC, is the buyer and is represented by Bear, Stearns & Co., Inc. The contract was executed ON April 29, 1997, with an effective date of April 1, 1997. Approximately 2,700 gas wells, with DNR interest, qualified for the Section 29 credits.

The buyer paid the DNR approximately \$4.5 million for royalties plus interest (divided between the Michigan Natural Resources Trust Fund and the Game and Fish Fund based on the location of the well) at the beginning of the contract for production levels between 57 billion cubic feet (bcf) and 67.3 bcf. Under the contract, the IRS required the sales price calculation to be discounted. The price was established at \$1.80 per million cubic feet (mcf). The buyer also paid the state approximately \$37 million for the credits, which were deposited into the Environmental Protection Fund. When total production reaches 57 bcf, all royalties are paid to the buyer. The contract will end once total production reaches 67.3 bcf, which is the threshold when all royalty interest will be returned to the DNR.

Currently, Martindale Consultants, Inc. (the company providing the accounting reports as required by a servicing agreement) has determined that production reached 57 bcf as of June 30, 2005, and that royalty interest payments are due to Motor City Four beginning July 1, 2005. The DNR wired a lump-sum payment to Motor City Four covering the period of July 1, 2005 through December 31, 2005, on February 15, 2006. Future payments will be made based upon accounting reports. The DNR anticipates that production levels are expected to reach the 67.3 bcf by December 31, 2007.

Jim Wood, DNR Grants, stated that, even with the Section 29 reductions to the Michigan Natural Resources Trust Fund, a viable program will be maintained.

Audit Update

Thomas Benson, Internal Audit, presented updates on the federal audit, single audit and DNR internal audits:

Federal Audit (Audit of the DNR's use of the Fish and Game Funds for FY 2003 and 2004): The DNR recently received the draft report and are in the process of responding. There are four non-material findings in the draft. The response is due March 13. This audit process went smoothly.

Single Audit (financial audit of the DNR): This audit is performed every two years. The current audit covers FY 2004 and 2005. Field work is in progress and is expected to be completed by the end of March 2006, with the final report issued by the end of June, 2006.

Fisheries Performance Audit: Audit period of 10/1/01 - 3/31/04. Field work has been completed and staff is waiting for the draft report.

Timber Sales Program Performance Audit: Audit period 10/1/00 – 9/30/2004. Field work has been completed and staff is waiting for the draft report.

Law Enforcement-Communications Section-Lein and Warrant Systems Performance Audit: Final Report issued January 30, 2006. Six non-material findings and four discussion topics were identified. The findings primarily dealt with administrative improvements.

COMMITTEE GOALS

The following NRC Policy Committee on Finance and Administration goals will be submitted to the full Natural Resources Commission at its meeting on March 9, 2006.

1. Develop comprehensive future funding concepts and strategies to secure the financial stability of the Department through the Hunting and Fishing License Package Development Work Group.
2. Monitor restricted funds for continued solvency.
3. Review external audits and internal audit activities.
4. Monitor investment strategies to provide maximum rates of return at an appropriate level of risk.
5. Engage constituents in the business of managing the natural resources of this state.
6. Actively participate, engage and respond to the Legislature on various natural resource issues.

Next Meeting of the NRC Policy Committee on Finance and Administration

The next meeting will be scheduled in June.

The meeting adjourned at 11:35 a.m.

NRC POLICY COMMITTEE ON WILDLIFE AND FISHERIES

MINUTES

March 9, 2006

Alpena Holiday Inn
Alpena

Committee Chair Bob Garner called the meeting to order at 1:30 p.m.
Commissioners present were: Commissioners Charters, Brown, and Wheatlake.

Dave Bostick, Wildlife Division, outlined the current bear license quota process and the population indices that are used within the evaluation. In the western Upper Peninsula (UP), the population is considered to be stable and proposed harvest objectives will be similar to the 2005 season. There was a recommendation to reduce 165 licenses in this area due to the movement of some licenses from the third to the first hunt period. In the eastern UP, the population is considered to be stable and no changes were recommended for 2006. In the northern Lower Peninsula (LP), the population is considered to be stable or slightly decreasing. The DNA survey results were not yet available. Biologists for Red Oak recommend reduction in the number of licenses (-200). **Dave** outlined the proposed licenses for each bear management unit (BMU) and hunt period. **Commissioner Charters** asked for clarification on if the western UP bear population is stable then why would there be a decrease in licenses available. **Commissioner Garner** wondered if there could be a smaller Mini Red Oak area as well, because he believes that are small pockets of private land in Red Oak where there are large populations of bear residing. He questioned the idea of decreasing the licenses in that area by 200. **Commissioner Garner** also asked how many bear permits had been transferred to a youth or individual with a life-threatening disease. **Dave** responded by saying there were more offers to transfer than the number of recipients.

Brian Mastenbrook, Wildlife Division, and **Dan Heckman, Forest, Mineral, and Fire Management Division**, presented the Lee Grande Aspen Management Plan. They explained the make-up of this large tract of same-aged aspen and outlined how cutting would now occur across time. Due to the high quality aspen regeneration in that area, they will be able to cut this aspen at a younger age and start cutting in cycles. Treatments will occur in approximately 15 to 20 percent of the area every 10 years. There have been some road issues and many of the forest roads will now be closed and seeded. **Commissioner Charters** asked for clarification on the reasoning of why roads would be closed when we are trying to increase access in other areas across the State. **Brian** explained that there is still road access but these forest roads are usually covered in water and difficult to use so they do not have value as roads at this time. **Commissioner Garner**

asked if deer will negatively impact this regeneration. **Brian** responded by indicating that Cheboygan deer population is currently below goal.

Bill Moritz announced that the all non-purchased (leftover) turkey licenses will be available through the leftover system (similar to fall turkey), excluding hunt 234. These licenses will be available to individuals who do not apply starting on March 15, 2006 at 10 a.m. eastern standard time. **Bill** also mentioned that the deer regulations timeline has had to be adjusted.

Quality deer management survey results were tabled to April.

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The meeting adjourned at 2:35 pm.